

FT View

The cost of black money

DIRTY money or black market cash illegally transferred to tax havens scattered around the world is robbing everyone a chance for a sustainable future. A record \$ 991 billion in unrecorded funds left 151 developing and emerging economies in 2012, up nearly 5% from a year earlier, according to US-based watchdog Global Financial Integrity (GFI) that exposes financial corruption.

Asia was the region of the developing world with the greatest flow of dirty money over the decade, accounting for 40.3% of the world total, driven by China. Sri Lanka's neighbour India and close countries such as Malaysia were also in the fray. But the researchers found growth of illicit flows was faster in other parts of the world, particularly in the Middle East and North Africa and in sub-Saharan Africa, where the growth was seen at 24.2% and 13.2% respectively.

The GFI research found fraudulent mis-invoicing of trade transactions was the most popular method to move money illegally and accounted for nearly 78% of illicit flows in 2012. Money is moved overseas through trade mispricing by fraudulent under-billing or over-invoicing for goods to avoid tax or to hide large transfers.

So stark has the problem become that the organisation has called for the United Nations to next year include a target to halve all trade-related illicit flows by 2030 as it negotiates a new set of global goals, the Sustainable Development Goals, to replace the Millennium Development Goals.

While the exact numbers cannot be proven, it cannot be ignored that this trillion dollars lost from economies in 2012 could have been invested in local businesses, healthcare, education or infrastructure. It could have contributed to inclusive economic growth, legitimate private-sector job creation, and sound public budgets.

Sri Lanka too is facing an epic battle against escalating corruption, which has even become the rallying call for the upcoming presidential election. In the melee of words and accusations, it is easy to forget that Sri Lankan officials too have been embroiled in allegations of holding Swiss bank accounts. Even as early as 2012 Parliament was the scene of a landmark revelation by the Opposition that claimed an alleged 400 officials held or were proxies for Swiss bank accounts.

Nihal Sri Ameresekere, Sri Lanka's foremost anti-corruption buster whose efforts have been recognised by the United Nations, at the time went on record insisting the amount disclosed (about 85 million US dollars or Swiss Francs in 2011) is just the tip of the iceberg. Ameresekere also noted that Finance Intelligence Units, such as the one under the Central Bank, were set up under the UN Convention and are pro-active in tracking terrorist funding and money laundering.

Despite Sri Lanka being the second country to sign the convention in 2004, it hasn't impressed on the implementation front. Under the Convention, an International Association of Anti-Corruption Authorities (IAACA) exists and under that law enforcement authorities like the Attorney General, Police or Bribery Commission can seek the assistance of countries to trace any laundered money. Yet, without specific details such as names, these mechanisms are all but pointless. In Sri Lanka's environment of absolute impunity, even more so.

This is the deep and growing problem of corruption, not just in tiny Sri Lanka, but around the world. Yet even a small country can make a difference – if it wants to.



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Why has the reconciliation process taken a back seat?

WITH the defeat of the LTTE in 2009, the Government went about showcasing the military victory and personalised the victory among the key protagonists. The dissent or an alternative voice or even true reasoning which is quintessential to a healthy democracy was interpreted as being anathema to the true philosophy of the ruling class.

It was unfortunate that free media came under severe pressure and journalists were unable to write freely because of fear of reprisals. There was an implied self-censorship, which is still prevalent even after five years of war victory. The war victory was turned into a political show piece and gradually ethnic reconciliation got buried.

Sri Lanka had a golden opportunity to bring about a lasting solution through a South African style Truth and Reconciliation Commission (TRC) where whites and blacks got together and steered a new constitution for South Africa. All militants and armed forces personnel were granted amnesty. Bishop Desmond Tutu chaired the TRC and some witnesses cried over horrendous crimes perpetrated on both sides.

If Sri Lankan armed forces personnel were granted amnesty, then Geneva deliberations would not even have arisen. Human rights allegations are not directed at South African defence force personnel because the reconciliation process gained legitimacy in the face of the international community.

Absence of rule of law

The whole nation saw the brutal murder of a brilliant journalist, Lasantha Wickrematunge, whose style of writing had varying perceptions about ethics of journalism and privacy of individuals; nevertheless being a civilian, who does not carry a pistol in his pocket nor being surrounded by bodyguards, he should not have been subjected to such a brutal attack. There were numerous other journalists who came under physical attacks.

The studio of the Sirasa News Channel, the most popular among the people, was torched. Unfortunately it came to be realised later on that there

was a certain 'culture of impunity' and Government seemed to have turned a blind eye to crimes against media personnel. Journalists who have been critical of the policies had to leave the country. This was considered a clear break in the 'Rule of Law' in Sri Lanka.

The international community started rebuking Sri Lanka and Sri Lanka lost credibility and could not justify the attacks on those who have dissenting views. The law abiding citizens, with no political axes to grind, had a difficult time digesting the new stories on attacks on free media.

Reconciliation took a back seat

President Rajapaksa should be commended for having held elections and formed the Northern Provincial Council. The Government embarked on linking the rail and road lines, which had been devastated due to the war and Yaldevi link to Jaffna is an important milestone in bridging the north south divide. But there is a missing link, that is transformation of wounded minds of the northern Tamils.

Prof. Rajiva Wijesinha, who was at the forefront of defending the Government of Sri Lanka at a very crucial time at international forums such as on BBC, CNN and Al Jazeera and at Geneva, laments that he had made certain initiatives on reconciliation and none of his recommendations had been considered by the Government.

Prof. Wijesinha says that: "In the Draft National Reconciliation Policy prepared in my office in 2012, we noted the need for establishing a multi-stakeholder institutional mechanism charged with promoting and monitoring the reconciliation process. I had no response whatsoever to the draft. Colombo thus ignored what the Lessons Learnt and Reconciliation Commission had clearly stated in 2011."

Why has the reconciliation process taken a back seat? There may be some merit in the grievances of Prof. Wijesinha and other Ministers who defected, whose reasoning seems to have had no place in the Government. As regards allegations of war crimes, why was

a Pakistani international law expert consulted when we have a world-renowned Judge of the International Court of Justice – Justice Weeramantry?

There is clearly a mismanagement of the post-war reconciliation process, as described by Prof. Wijesinha and this was partly due to hostile foreign policy towards the West. The Government seems to have forgotten that the LTTE is a banned outfit in the UK, US, Canada and in EU. Can Sri Lanka afford to have a conflict with the West, thus risking the LTTE ban being lifted? The pro-separatist lobby is no longer interested in a military solution but a political one, which is much more serious and a dangerous threat to the sovereignty of Sri Lanka.

Militarisation of Government machinery

The whole nation salutes the war heroes including those who have sacrificed their lives and those who are still living and doing a great service for the nation. Today we all celebrate 'peace' solely because of the great patriotic victory brought about by the armed forces. Even Tamils who languished under the barrel of a gun for three decades in the north and elsewhere celebrate peace which is the cornerstone of human existence.

The Government began to dish out top slots in diplomatic and public service for war heroes. There is absolutely nothing wrong with that, however excessive indulgence in posting war heroes would certainly send a different message where there is an urgent need to restore civilian administration.

Placating wounded minds of Tamils

How has the Government placated the wounded minds of Tamils in the Northern Province? Showing more Army personnel on the ground five years after the war victory does not augur well for the reconciliation process.

As Minister Vasudeva Nanayakkara says: "There are too many and too many soldiers dabbling with civil administration. Too much of military involvement in a civil administration. There is too much occupation of public space by the personnel of the armed forces. But they are getting on well. You can trust me. When you go up there you will find sections of the armed forces and sections of people are getting on well. But that doesn't justify the general pat-

tern of interference in the civil administration."

Minister Nanayakkara posits that war crimes inquiry should have been done in Sri Lanka thus leaving the foreign intervention apart. He went on to say, in response to a question by the journalist as to whether he agreed with the cry for an investigation by the international community. Minister Nanayakkara's response was: "No. What does the international community have to do with it? International community has nothing to do with our country. Our country's investigations have to be done by us. If somebody says this commission which is investigating, is alleged violations is not credible, let them come out with it and say this is not credible for the following reasons. Not the Government but some sections of the armed forces who took the law into their own hands. Why should I become responsible for that? I should take action against them. If I didn't take action against them then I am responsible." (Interview in the Daily Mirror on 15 December).

This statement of the Minister Nanayakkara is totally in variance with the thinking of the Government and runs counter to Government policy. Is this a battle within?

Independence of Judiciary

Integrity and independence of the institutions of Government, especially the Judiciary, must be upheld. The independence of Judiciary is of course the last vestige of hope for Sri Lankans in search of justice.

If a citizen is unable seek justice in a fair and equitable manner he can no longer trust the system, which is supposed to uphold the rights of citizens, a feeling of alienation and insecurity might grip the citizen. Lack of trust in the system would be inimical to the Government.

There cannot be two yardsticks for Justice, one for the ordinary citizens and the other for the ruling elites. It is therefore very pivotal for the Government to establish independence of judiciary and other institutions of democracy or by resurrecting the 17th Amendment, which has some semblance of hope.

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